

FISCAL NOTE

SB 2987

January 30, 2008

SUMMARY OF BILL: Exempts kerosene sold over-the-counter, or sold in any other manner and directly to consumers for residential use, from state sales tax.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$601,400

Assumptions:

- According to the Department of Revenue, kerosene used for residential purposes is estimated to be 12,100,000 gallons for FY08-09.
- 80% of kerosene sold (or 9,680,000 gallons) is estimated to be sold on a self-serve basis through pumps. The Department of Revenue indicates such sales are exempt from state sales tax under current law.
- Public Acts 2007, Chapter 602, Section 39 states that energy fuels sold over-the-counter at seller locations are not exempt from state sales tax.
- 20% (or 2,420,000 gallons) is estimated to be sold over-the-counter at the location of the seller.
- The average price of kerosene is estimated to be \$3.55 per gallon.
- Over-the-counter sales of kerosene are estimated to be \$8,591,000 (2,420,000 gallons x \$3.55 per gallon = \$8,591,000) per year.
- The current state sales tax rate is 7.0%.
- The decrease to state revenue is estimated to be \$601,400 (\$8,591,000 x 7.0% = \$601,370) per year.
- Pursuant to Tenn. Code Ann. § 67-6-704, all energy fuels are exempt from local option sales tax.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc

SB 2987